

## VISION 2020 FISCAL RESOURCES TASK GROUP

Meeting Minutes 5/21/15

Assessors Meeting Room

ATTENDEES: Gordon Jamieson (Co-Chair), David Garbarino (Co-Chair), Heather Remoff, Mike Stern, Brian Hasbrouck, Pete Howard (Secretary), Guests: Board of Assessor, Chairman Bob Greeley, Director of Assessments Paul Tierney

The meeting was held in the Assessors meeting room at request of the Assessors.

The group thanked Paul and Bob for their assistance and for agreeing to meet with us.

The main purpose of the meeting was to discuss the letter (Ref 1) V2020 FRTG had sent to Director Tierney in March. Gordon thanked Paul for providing the land value data that the letter analyzed.

After a quick review of the groups' long standing interest in the commercial property assessment process. Mike reviewed some land valuation data related to selected properties he had compared in the heights. Mike's work was what had allowed the group to focus in on, and seek to analyze, commercial land assessments. Mike thanked the Board for their response to his earlier questions.

There was a brief discussion of (Fig 1 Ref 1) showing a 20 year history of residential revenue and commercial revenue. Residential revenue increased 145% while commercial revenue increased by 55%. Why such a wide discrepancy? Bob stated that some commercial parcels had been converted to residential use. Gordon said he had found few of these cases. The group discussed the fact that it is often difficult to get values for commercial properties since they seldom are sold. By contrast, residential properties are bought & sold frequently. Bob believes that the commercial properties pay their fair share. Paul provided a Globe article (Ref 2) noting Boston residential values increased last year 12.1% while business values increased 8.8% which suggest that Arlington is not a special case.

After these introductory discussions, Pete proceeded to go through the letter (Ref 1) figure by figure. Each figure has at least one associated question. Figure 7 lists and numbers the questions. Bob addressed each question and the group discussed his answer.

Q1: Where are the parcels that lack street numbers? Answer: They are vacant lots. They can be located by using the Parcel ID.

Q2: Is it legal to list condos with no land value? Answer: No direct answer. Initially the land value was included in the condo selling price. Paul provided sample property cards, one for Salem (Ref 3) and one from Medford (Ref 4), both showing no land value. The practice appears to be common.

Q3: Why do the land values per square foot (SLVs) vary so much between parcels? Answer: The SLV depends on the size of the parcel which reflects the process employed by the Assessors in the assessment process. Bob gave an example: The nominal size of a commercial property is 20,000 sq. ft. and the assessed value is \$30 per sq ft. A large property is worth more so the SLV will be decreased. A smaller property will be worth less so its SLV will be increased. In other words the relative size of the property (above/below the 'standard' size) does not increase/decrease in a linear fashion, rather by the factor decided by the Assessors.

Bob did not describe in details how the increase or decrease (the factor) is determined. Later he said the nominal size of a residential property is 6,000 sq ft and the SLV is \$20/sq ft with a value factor of 1. A \$5,000 sq ft property would have a factor of 1.12 which make its SLV  $20 \times 1.12 = \$22.4/\text{sq ft}$ . A 7,000 sq ft property would have a factor of .95 which would make its SLV  $20 \times .95 = \$19/\text{sq ft}$ .

Another cause for the variations appears to be deed restrictions. Also the total value of the property is considered when considering land value though just how this is done, Bob did not explain.

Q4: Where does the \$75/sq ft SLV limit (Fig 3) come from? Answer: No explicit answer. However Fig 5 shows large parcels assessed at about \$19/sq ft and many small parcels at about \$75/sq ft.

Q6: Please explain the non-linear relation between land value and land area. Answer: Bob did not seem to know why there is a upper limit of \$75/sq ft for small properties and a \$25/sq ft lower limit for large properties as shown on Fig 6. It is unclear how the curve between max & min SLV is related to the value factor.

Other discussions:

The location of the SLV of parcels by street number, Fig 3, shows the high value SLVs in the east, the center & the heights. Bob agreed that land in these areas should be worth more. Yet there are many properties with SLVs less than the maximum in these areas.

Bob said that when he tries to use comparable sales values to assess a parcel, he always loses an appeal by the owner to the appellate court. He said that replacement values are expensive to obtain. Consequently the assessors depend on building income in the commercial assessment process.

As noted during the meeting, because apartments are zoned residential but are assessed using the commercial income process, this prevents the town from considering fully a split tax rate.

When asked about land value being a key element in development decisions, Bob said he had to value land at its present use. He dismissed the suggestion that land has a value independent of its present use. The strict interpretation of this is that one can value land only for its current use, and not for some future intended use (for example converting a gas station to condos).

Bob had no explanation for the frequency chart, Figure 4, that shows clusters of SLV around \$30/sqft, \$50/sq ft, and \$75/sq ft.

NEXT MEETING: June 18 - Meetings monthly - 3rd Thursdays 7:30 PM - Senior Center Ground Floor

Ref 1 Letter and attachments to Paul Tierney from FRTG March 2015

Ref 2 Property Values Surge In Boston, Globe Staff, 5/20/15

Ref 3 1 Bengal Lane, Salem

Ref 4 100 Station Landing, Medford



Fiscal Resources Task Group  
March 2015

Mr. Paul Tierney  
Director of Assessments  
730 Massachusetts Avenue  
Arlington, MA 02476

Dear Paul,

Thank you for providing us with a file containing the public assessment information for properties abutting Mass Ave and Broadway, including your kind conversion from acreage to square footage therein.

Our original interest in these materials developed when we considered the disproportionate increase in residential assessments compared to commercial assessments over recent years (Figure 1). Since our task group is chartered to review and monitor the Town Goals of financial equity and financial transparency, we thought perhaps this disproportionate increase for residential properties might indicate inequity in assessment process and/or procedures.

We are not only concerned with possibility that commercial properties are undervalued, but further that such undervaluation might provide owners with a disincentive to develop property to its best use, highest value; thereby depriving our community of both badly needed services and the associated tax revenues.

The following series of charts show what we have found during our examination of the data you kindly provided.

Figure 2 shows land value per square foot (Specific Land Value, SLV) for both commercial and residential parcels on Mass Ave and Broadway. There seems to be no significant difference between the two sets of data.

Figure 2 has 12 parcels with no street number. Where are they located?

Figure 2 does not include the 37 parcels that have no land value listed. Most of these are condos. We understand that the value of the land is included in the value of the apartment. This would appear to lack transparency and we wonder whether this is appropriate. Clarification is requested.

Figure 3 shows that the average SLV has no obvious trend from one end to the other. However the SLV shows large variations between neighboring parcels. One would expect SLV to depend mostly on location. What accounts for these variations?

Figure 3 would also appear to indicate a common maximum of 75 \$/sq ft land valuation. Can you explain where this comes from and why there is a limit?

Figure 4 is a frequency distribution of the SLVs. This analysis reveals a 'tri-modal' distribution. At face value this appears to be incongruent with the 'fair and equal assessment at full market value' principles which are supposed to guide the valuation/assessment of land. Clarification is requested.

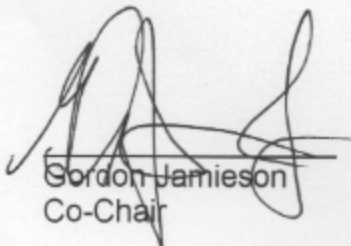
Figure 5 shows parcel land value vs parcel area. As we would expect, this is mostly a straight line. But there is something else going on with the smaller parcels and a number of parcels that are off the curve. Clarification is requested.

Finally, Figure 6 shows SLV vs parcel area. The 75 \$/sq ft limit is associated with the smallest parcels followed by a curving decrease that becomes a constant value of \$25/sq ft. Our interpretation is that this means that SLV is a function of land area. Clarification is requested.

We look forward to hearing from you and invite you to attend our next meeting on Thursday March 19<sup>th</sup> [7:30 PM Senior Center] to discuss these matters in greater detail as that might provide the best and easiest way toward resolving our concerns.

Thank you again for your kind assistance with these matters.

Sincerely yours,



Gordon Jamieson  
Co-Chair



David Garbarino  
Co-Chair

CC  
Bob Greeley  
Kevin Feeley  
Mary Winstanley-O'Connor  
V2020 SC Chair, Juli Brazile

Year	Residential Revenue	CIP Revenue	Total	Year	
<b>1994</b>	<b>39,039,697</b>	<b>4,040,842</b>	<b>43,080,540</b>	<b>1994</b>	Operating Override
1995	41,148,969	4,194,748	45,343,717	1995	
1996	42,346,832	4,239,822	46,586,654	1996	
1997	43,768,608	4,317,971	48,086,578	1997	
1998	45,170,532	4,268,535	49,439,067	1998	
1999	47,958,911	4,483,708	52,442,620	1999	
2000	49,385,336	4,711,734	54,097,070	2000	
2001	51,869,183	3,968,659	55,837,843	2001	
2002	54,980,457	4,117,275	59,097,732	2002	
2003	56,962,049	4,284,796	61,246,845	2003	
2004	59,880,691	3,859,449	63,740,140	2004	
2005	61,820,467	3,899,503	65,719,970	2005	
<b>2006</b>	<b>69,428,973</b>	<b>4,096,828</b>	<b>73,525,801</b>	<b>2006</b>	Operating Override
2007	72,656,089	4,122,262	76,778,351	2007	
2008	74,394,576	4,418,800	78,813,376	2008	
2009	76,075,616	4,870,391	80,946,007	2009	
2010	78,508,301	4,962,735	83,471,036	2010	
2011	80,795,883	5,163,091	85,958,974	2011	
<b>2012</b>	<b>89,256,859</b>	<b>5,745,635</b>	<b>95,002,494</b>	<b>2012</b>	Operating Override
2013	91,871,446	6,137,935	98,009,381	2013	
2014	95,492,251	6,245,259	101,737,510	2014	

**Increase (\$\$ and %) since 1994**

	Residential		CIP		Total
\$	56,452,554	\$	2,204,417	\$	58,656,970
	145%		55%		136%

Figure 1

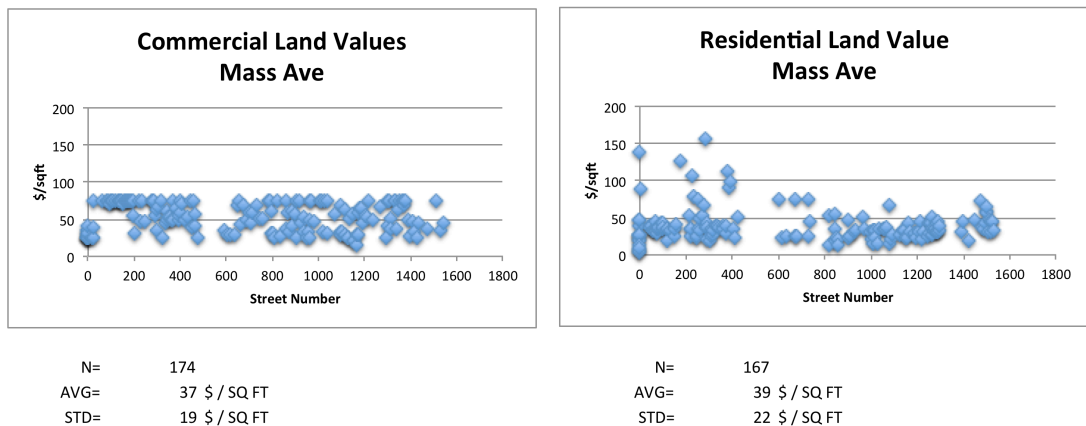


Figure 2

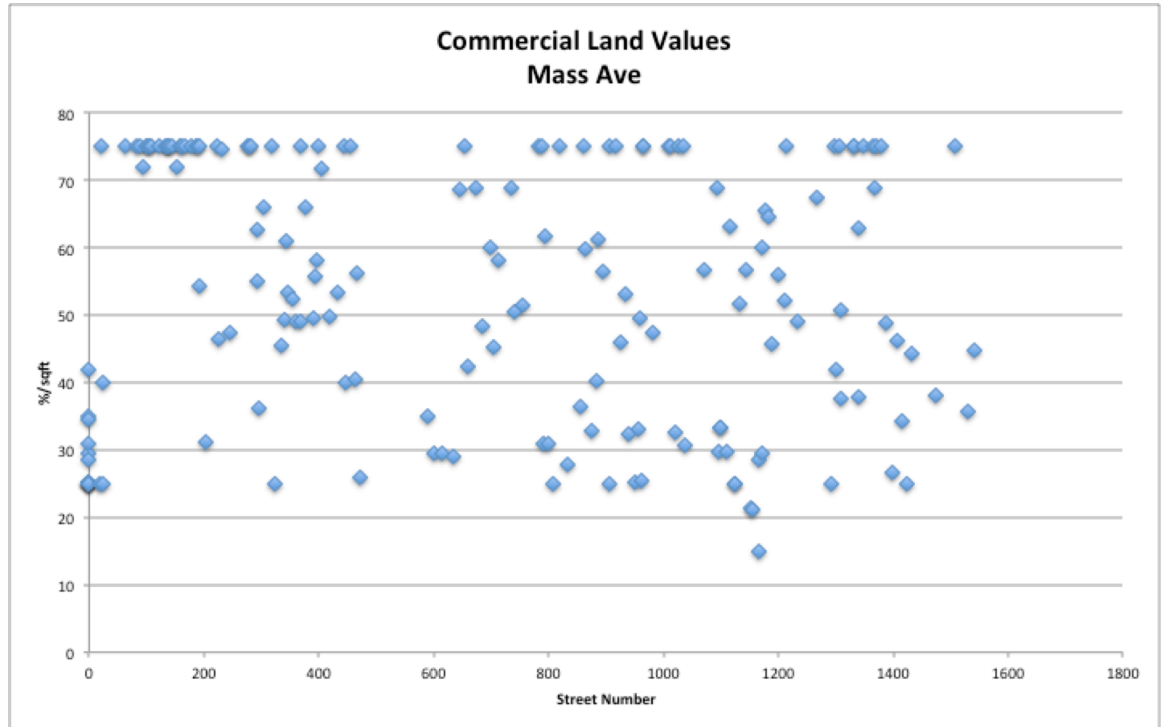


Figure 3

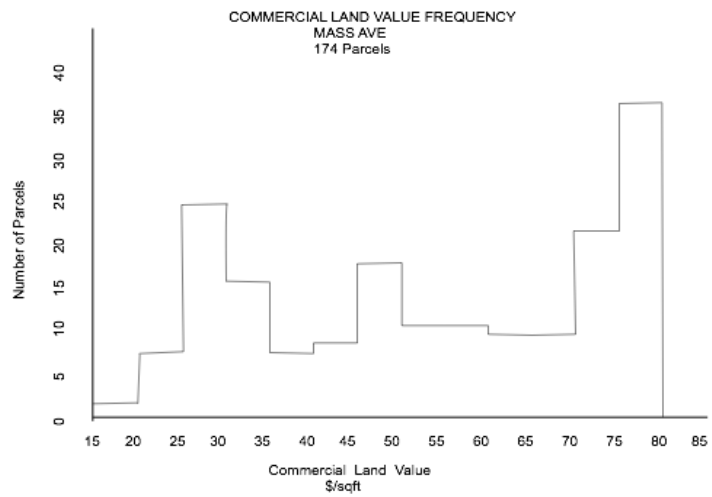


Figure 4

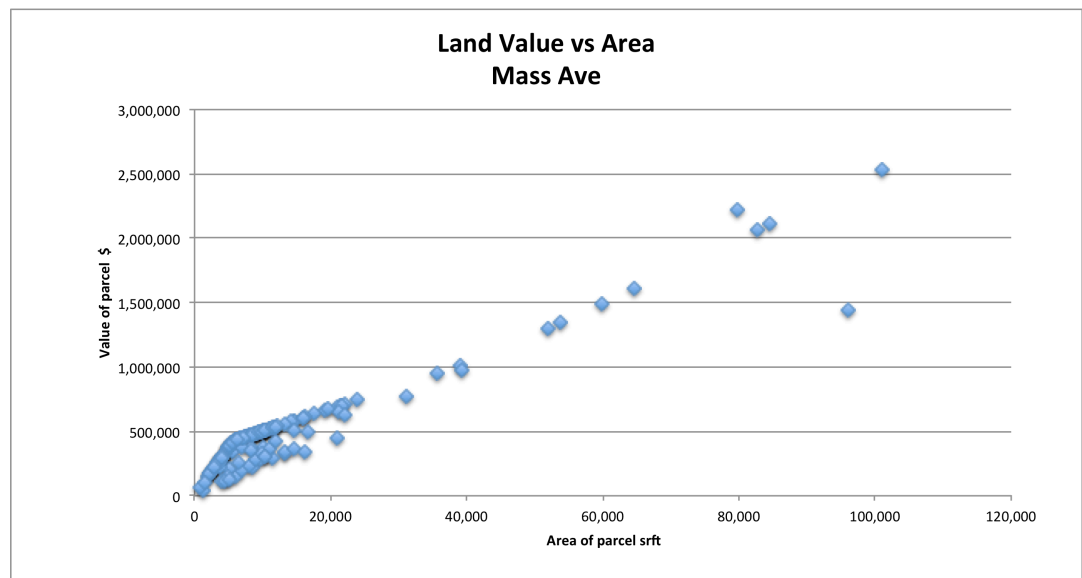


Figure 5

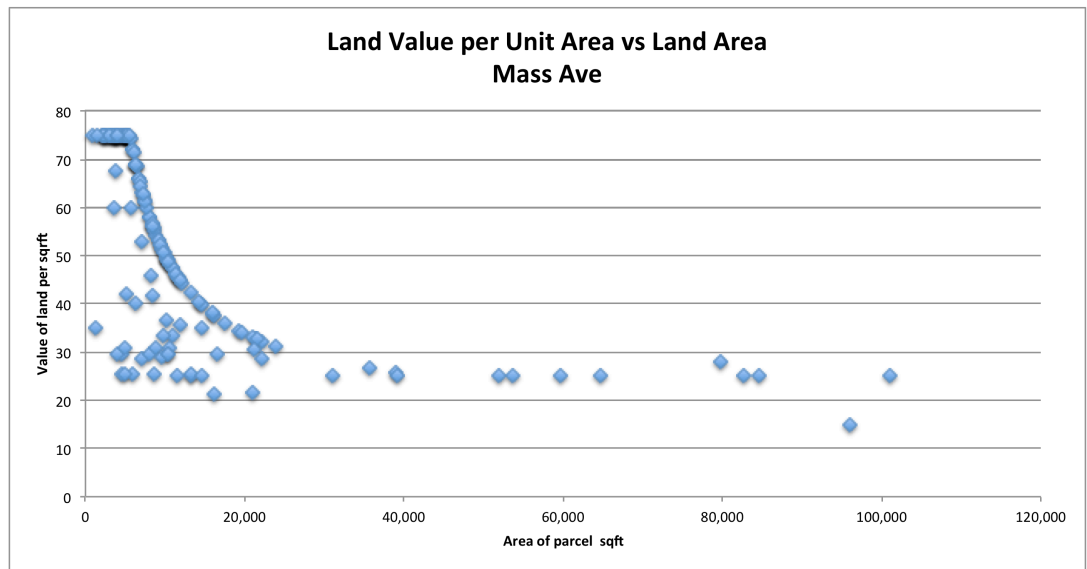


Figure 6

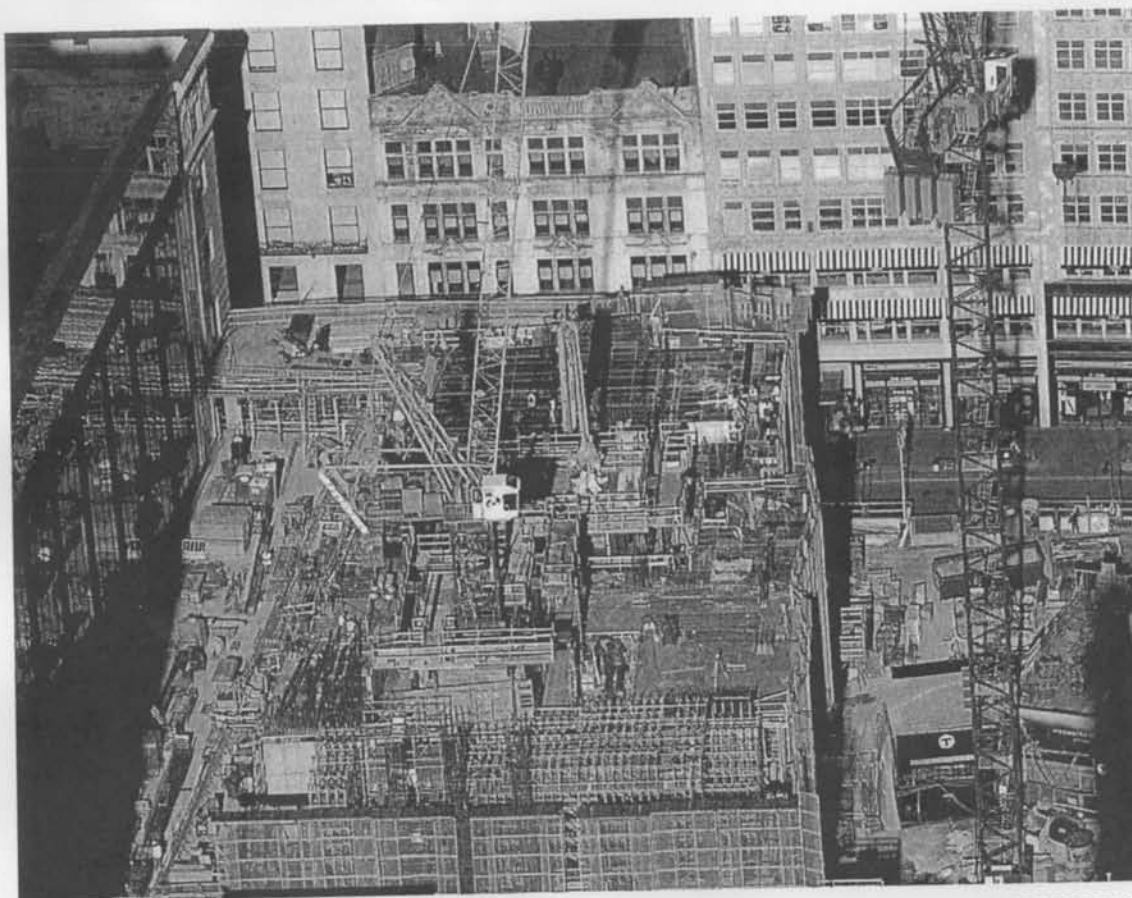
#### Question Summary

Q1	Where are the 12 parcels that do not have street numbers located?
Q2	Is listing a condo without land legal? If so, why?
Q3	Why do the SLVs vary so much between neighboring parcels?
Q4	Where does the \$75/sqft maximum value of SLV come from?
Q5	Why are there large peaks in the SLC frequency distribution?
Q6	Please explain the non-linear relation between land value and land area?
Q7	Why is SLV a complicated function of land area?

Figure 7



# Property values surge in Boston



DAVID L. RYAN/GLOBE STAFF

The Millennium Tower, seen under construction in Downtown Crossing last fall, is part of Boston's condominium boom.

By Catherine Cloutier and Matt Rocheleau | GLOBE STAFF MAY 20, 2015

Boston's taxable property values have reached new heights, fueled by construction and soaring real estate prices.

Total taxable property value for fiscal year 2015 was \$110.7 billion, the first time the city's value has surpassed \$100 billion, according to a report released Wednesday by the Boston Municipal Research Bureau, a fiscal watchdog funded by businesses and nonprofit institutions.

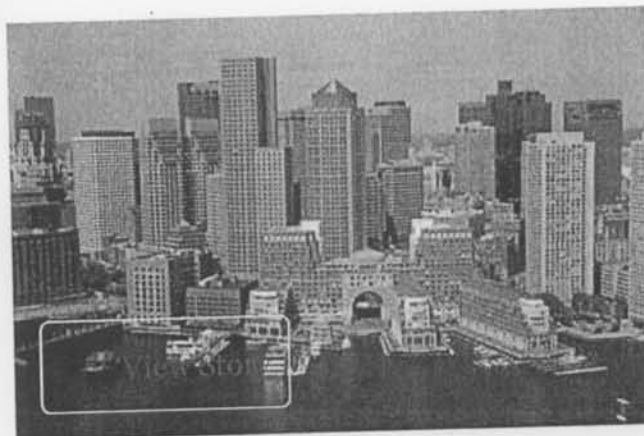
CONTINUE READING BELOW ▼

Much of the growth was attributable to a 12.1 percent increase in residential property values last year, outpacing the growth of business property values, which rose 8.8 percent. Residential values represented 71.6 percent of the city's total property value growth, the report found.

Values increased in all types of residential real estate, with the rising value of existing housing accounting for 85 percent of the increase and new construction accounting for the rest.

Among the largest drivers of growth in the residential sphere: a 12.3 percent uptick in the value of condominiums, particularly upscale residences. The growth in condo values was concentrated in the Back Bay and downtown, which have seen a wave of high-end units developed in recent years, the report found.

CONTINUE READING IT BELOW ▼



## Assessments in city top \$100 billion

The total value of Boston's residential and commercial property climbed to a total of \$110 billion, according to a new city assessment.

### **Walsh says Boston mostly on track to hit 2030 housing goals**

Residential values grew across the city. Values increased by 10 percent or more in 17 of Boston's 22 wards, constituting 77 percent of the city, according to the report.

Business values grew at faster rates in the city's retail and financial hotspots, including downtown, Back Bay, and the Seaport District.

### **Value of residential property in Boston on the rise**

Residential property value grew by \$7.8 billion or 12.1 percent to a total of \$72.3 billion in fiscal 2015.

Condos FY 14	\$26.5 billion
Condos FY 15	\$29.7 billion
Single family FY 14	\$12.6 billion
Single family FY 15	\$13.6 billion
2 or 3 family FY 14	\$13.1 billion
2 or 3 family FY 15	\$14.8 billion
Multi-family FY 14	\$7.8 billion
Multi-family FY 15	\$8.7 billion
All others FY 14	\$4.6 billion

All others FY 15  
\$5.5 billion

SOURCE: Boston Municipal Research Bureau

CATHERINE CLOUTIER, MATT ROCHELEAU/GLOBE STAFF

## Value of business property in Boston on the rise

Business property value grew by \$3.1 billion or 8.8 percent to a total of \$38.4 billion in fiscal 2015.

Commercial FY 14

29.7

Commercial FY 15

32.6

Industrial FY 14

0.6

Industrial FY 15

0.7

Personal FY 14

5

Personal FY 15

5.2

SOURCE: Boston Municipal Research Bureau

CATHERINE CLOUTIER, MATT ROCHELEAU/GLOBE STAFF

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**Unofficial Property Record Card - Salem, MA****General Property Data**

Parcel ID 12-0001-802	Account Number
Prior Parcel ID --	
Property Owner STILIANOS ESTELLE	Property Location 1 BENGAL LANE
	Property Use Condo
Mailing Address 1 BENGAL LANE U10B	Most Recent Sale Date 8/19/2003
	Legal Reference 21570-400
City SALEM	Grantor STILIANOS ESTELLE,
Mailing State MA Zip 01970	Sale Price 0
Parcel Zoning	Land Area 0.000 acres

**Current Property Assessment**

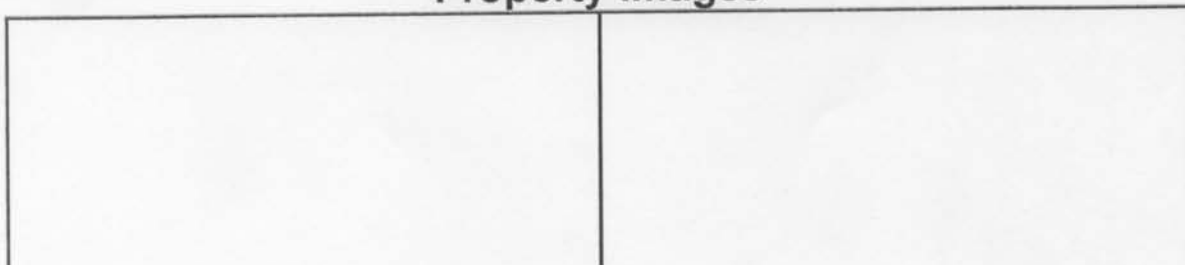
Card 1 Value	Building Value 234,000	Xtra Features 0 Value	Land Value 0	Total Value 234,000
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**Building Description**

Building Style Condo TnHs.	Foundation Type Concrete	Flooring Type Carpet
# of Living Units 1	Frame Type Wood	Basement Floor N/A
Year Built 1986	Roof Structure Gable	Heating Type Forced H/Air
Building Grade Good (-)	Roof Cover Asphalt Shgl	Heating Fuel Gas
Building Condition Average	Siding Clapboard	Air Conditioning 100%
Finished Area (SF) 1635	Interior Walls Drywall	# of Bsmt Garages 0
Number Rooms 4	# of Bedrooms 2	# of Full Baths 1
# of 3/4 Baths 0	# of 1/2 Baths 1	# of Other Fixtures 0

**Legal Description****Narrative Description of Property**

This property contains 0.000 acres of land mainly classified as Condo with a(n) Condo TnHs. style building, built about 1986, having Clapboard exterior and Asphalt Shgl roof cover, with 1 unit(s), 4 room(s), 2 bedroom(s), 1 bath(s), 1 half bath(s).

**Property Images**



Disclaimer: This information is believed to be correct but is subject to change and is not warranted.

**00100 STATION LANDING U1207****Location** 00100 STATION LANDING U1207**Assessment** \$567,200**Mblu** 7-05/ 6B125/ / /**PID** 550508**Acct#** 452DV**Building Count** 1**Owner** WONG KAI CHUNG**Current Value**

Assessment			
Valuation Year	Improvements	Land	Total
2015	\$567,200	\$0	\$567,200

**Owner of Record**

**Owner** WONG KAI CHUNG  
**Co-Owner** ROSADO BENITO GONZALEZ  
**Address** 100 STATION LANDING  
 UNIT 1207  
 MEDFORD, MA 02155

**Sale Price** \$455,000  
**Book & Page** 53406/ 360  
**Sale Date** 08/18/2009

**Ownership History**

Ownership History			
Owner	Sale Price	Book & Page	Sale Date
SKYLINE CONDOMINIUM	\$1	48960/ 133	07/30/2007
SKYLINE AT STATION LANDING LLC	\$10	48941/ 381	02/07/2007

**Building Information****Building 1 : Section 1**

**Year Built:** 2007  
**Living Area:** 1061  
**Replacement Cost:** \$609,936  
**Building Percent** 93  
**Good:**  
**Replacement Cost**  
**Less Depreciation:** \$567,200

Building Attributes	
Field	Description
STYLE	Condo Mid/Hi Rise
MODEL	Res Condo
Stories:	1
Occupancy	1
Interior Wall 1:	Drywall/Sheet
Interior Wall 2:	

**Building Photo**

(<http://images.vgsi.com/photos/MedfordMAPotos/\01\00\76\44.jpg>)

**Building Layout**



Interior Floor 1	Hardwood
Interior Floor 2	Carpet
Heat Fuel:	Oil
Heat Type:	Forced Air-Duc
AC Type:	Central
Ttl Bedrms:	2 Bedrooms
Ttl Bathrms:	2 Full
Ttl Half Bths:	
Xtra Fixtres	
Total Rooms:	4
Ext Wall	
Stories:	12
Residential Units:	127
Exterior Wall 1:	Vinyl Siding
Exterior Wall 2:	
Roof Structure	Flat
Roof Cover	Tar & Gravel
Cmrcl Units:	0
Res/Com Units:	0
Section #:	0
Parking Spaces	0
Section Style:	0
Foundation	
Cmplx Cnd	
Xtra Field 1:	
Remodel Ext:	
Super	

BAS[1061]
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Building Sub-Areas			<u>Legend</u>
Code	Description	Gross Area	Living Area
BAS	First Floor	1061	1061
		1061	1061

**Extra Features**

Extra Features	<u>Legend</u>
No Data for Extra Features	

**Land****Land Use**

**Use Code** 1021  
**Description** Condo NL MDL-05  
**Neighborhood**  
**Alt Land Appr** No  
**Category**

**Land Line Valuation**

**Size (Acres)** 0  
**Frontage**  
**Depth**  
**Assessed Value** \$0

**Outbuildings**

Outbuildings	<u>Legend</u>
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No Data for Outbuildings

**Valuation History**

Assessment			
Valuation Year	Improvements	Land	Total
2015	\$567,200	\$0	\$567,200

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